

**MINUTES**  
**COUNCIL RETREAT**  
**Friday, December 14, 2007**  
**County-City Building, Room 106**

**City Council Present:** Dan Marvin, Chair; Robin Eschliman, Vice-Chair; Jon Camp; Jonathan Cook; Doug Emery; John Spatz; and Ken Svoboda.

**Others Present:** Rick Hoppe, Administrative Aide to the Mayor; Steve Hubka, Budget Officer; Sherry Wolf-Drbal, Budget Analyst; Don Herz, Finance Director; Kyle Fisher, Lincoln Chamber of Commerce; Joan Ross, City Clerk; Denise Pearce, Aide to the Mayor; Andrea Mick, LIBA; Coby Mach, LIBA; Tammy Grammer, Council Administrative Secretary; and other interested parties.

Chairman Marvin opened the meeting at 2:05 p.m. Open Meetings Act posted.

**I. Budgeting for Outcomes Rick Hoppe**

**(Attachments A, B, C)**

Hoppe read quotes from "The Price of Government" and "The Washington State Experience" (Attachment A) which include:

- Asking the right questions?
- Why so focused on the cuts and not on the keeps?

He asked if in our budget do we thin the soup as opposed to finding outstanding community programs? We assume programs are replicated before deciding on priorities, focusing on cuts, rather than keeps. We want programs to receive appropriate treatment, and a valid question if happening with a great degree. Not too late to look through a different set of eyes.

The Genesis Book has been referred to as the age of permanent fiscal crisis. We have used the same kind of budget debate for twenty years, is there a process making more sense as opposed to what did before?

Highlights used by Washington State may, or may not, relate to our process and includes: (Attachment A)

- Get a grip on the problem;
- Setting the price of government;
- Set the priorities of government with:
  - Core Outcomes for Lincoln City Government (Draft) (Attachment B)
- Allocate available resources across the priorities;
- Develop a purchasing plan for each result; Outcome Goals/Result Teams with Indicators of Success; (Attachment C)
- Strategies to obtain outcomes;
  - What they would buy - both new and existing programs;
  - What else they would buy if they had more money;
  - What they would eliminate first if they had less money; and
  - What they would not buy (If programs not meeting desired outcomes would not fund)
- Results leaders met and bought results from each other;
  - Higher education team to pay for K-12 education, making children better prepared

Hoppe would encourage all to read completely, and asks :

- Is there anything to learn from this process being relevant or helpful with our budget process;
- Can we discuss outcomes Council would like to see for the City as a starting point to give instructions to Directors to prioritize their programs;
- Talk where we set the price of government? What is the starting point to set the bar? With realization it could go up, or down, based on priorities or outcomes adopted.

Marvin said on allocating, dealing with resources, don't necessarily know if this is the way. We could speak on what to develop, community impact and outcome. Camp considered premature to discuss with schedule and time frame today. Hoppe thought discussion of three points. What makes sense? What could we do to move our process forward? What can we realistically do within the cycle context? What elements could we move into, long term, potentially implementing something like this? Spatz asked if looking at the budget process as a whole, or identifying departments/divisions, identifying priorities vs. prioritizing infrastructures?

Svoboda believes zero based budgeting conceptualizes taking a large department, or smaller departments, to complete in one budget cycle. Over time would restructure all departments. This is more in-depth, looking at doing a percentage of government based on priorities and outcomes. Recognition in saying public safety is the highest priority, to tackled first, with 60%/70% of the budget there. Then what we do with all other government facets? Want to be cognizant of the Mayor's office/budget.

Eschliman asked if 6% to 6.8% is a fair estimate of the public's annual income? Hoppe replied personal income, but each jurisdiction different. She asked with 9% to 9.5% to the state, are we close? Hubka replied the percentage is now 1.41%. Eschliman asked if property taxes? Hubka said the entire tax budget. Eschliman asked on personal income 6%/6.8% going to cities and in Lincoln is only 1%? Hoppe stated not just the city but anything outside of state government, not the norm. Assumes we're not below as our levy is higher than others. Marvin stated the City is 1.41% with Camp adding it makes the whole amount almost 10%, we're about 14% to 17% of total. Marvin added part of the 1.41% is sales tax revenue received. Camp thought a dangerous road as in the optimum base items prioritized which percentages may reflect. Example, we don't have the crime as other jurisdictions. Improper to do the same ratio. Herz added we also don't have the tax base. Crime could be equal percentage of our limited budget

Marvin's sense was the needed effort identifying price for unit sold. Where is the national average? Doesn't mean you spend there, but are we above or below? The other is prioritizing high priorities and how we do. If doing well think amounts of resources put in to deliver, but is how the two interact, two different directions. Svoboda stated he has bought items and didn't get value but felt good because of the cause, taxpayers expect this in government. Example, our mill levy compared to Omaha's. They pass bond issues not complaining of property tax. We complain but should look at the services. The book has a concept to find outcomes based on what citizens want. We have to do, and want to know our threshold.

Camp said with a priorities and outcomes list will reach the money threshold giving objective ways to say some programs are below what we can fiscally achieve, and a good budgeting process. Hoppe added in making cuts citizens feel better if hearing these are the principles adopted, instead of, we're short of money so decided not to fund. Camp thought in budget sessions do outcomes based on focused areas.

Marvin stated last year's budget book talked of units to do, giving three years. Could obtain a department measurement of efficiency. If not more efficient ask what are the impediments. Also, the budget book spoke to tests. Look at 5 years to see if people are more efficient providing services, and find how we allocate to improve. Eschliman asked if feedback needed? Hoppe thought possibly for Council to consider, discuss, set a date, then would depend on what Council wants. Eschliman said with overlap, can we consolidate to 3 to 5 areas and decide where to start? Hoppe thought best for the public to have fewer.

Hubka added several departments contribute. We concentrate on funding sources; tax funds, not spending lots of time on non-tax funds, or CIP. This form of budget should be taken as a whole, not concentrating on if it's water or property tax rates. Doesn't lend to keeping cleanly separate by department or funds.

Spatz asked if the sales tax study with the state was complete? Hoppe replied yes and perhaps want a Pre-Council, to identify 2 to 3 departments. Marvin asked if an opportunity for our Audit Review Board to be a component? Svoboda stated with the concept an objective is to identify government core functions, attaching a percentage of value based on tax record. Don't know if taking some departments alone would get the percentage. Hoppe thought if using for some departments, give the examination, and would be a role to other

priorities. They could think internally of 5 objectives and would provide budget guidance. Camp thought there were 3 areas. Public safety, including fire. Two is infrastructure and utilities. Three, quality of life objectives and outcomes. By narrowing people remember three things and then we can filter in.

Svoboda thought Council could discuss at a January meeting. Marvin asked if in a Pre-Council, or separate? Eschliman asked if too late? Hubka replied the budget instructions are distributed mid-January, giving a target goal and budget at two levels, but for a mandate level, a prioritized level. If discussed after this, can utilize. The Mayor reviews the budget and then would be harder to incorporate into specific instructions.

Svoboda asked how long the process took for Washington State? Hoppe said 10 weeks, but they hired Osborne and made \$500,000. We should move on the path we're currently on as we see what elements this would implement. Marvin added we can table, then have as a Pre-Council, or other meetings, for discussions.

## **II. COUNCIL POLICY**

### **1. Posting Amendments Online Joan Ross, City Clerk**

Ross stated the policy has been not to post. Motions to amend come through the week and are on the dias. Not posting means noone is confused, and at meetings have motions to amend. Some in the packets, and people presenting are aware. Attorneys, Council and departments may bring motions to amend forward.

Svoboda said it has occurred applicants didn't know what Council members or departments might bring forward. Some may be in our packets, including departmental amendments. A Councilman may work up to the last minute and those aren't posted until the last minute. If we worked in a direction where a Council member, departments, or applicants came forward we provide to Ross for the website as an amendment attached to the legislation. Have a disclaimer that these are amendments posted on Council packets distribution, and may not have a motion to introduce, and others might come forward. At a meeting, where Svoboda didn't bring his packet, with 3 or 4 amendments, and not posted so could not go on line to follow.

Cook asked with a process to post will there be expectations this notice is necessary, although not required? Will it be difficult to work up until the last minute? Posting amendments in our packet may be the simplest. If we try and keep ongoing, Ross would have a problem. If packet based some members may chose not to post amendments being unsure about the amendment, but if in the packet is public information. Ross said at that point the official record is in her office, for anyone to see. Cook added this provides the ability to look on line, and would appreciate. Ross thought a reasonable cutoff, with any motion, amendment in the packet to be on line. Someone in City Attorney's office said if they don't get linked then don't want to hear. They scramble, but if cause to motions to amend, which we've had projects with lots of motions to amend with people in the City Attorney's office work on, yet only key people prepare them. Another thought being those people are not always there, so would like the packet cutoff.

Cook stated then the question of format. A motion could be posted with related item, or have a section saying all amendments prepared up to this time, with the resolution or ordinance number, making it easy to have a disclaimer explaining the list, opposed to putting disclaimer on each agenda occurrence. Ross replied you would do like the City Attorney does. Individual items would have the bill number, fact sheet, attachment, and then you could do MTA No. 1, No. 2. You'll see your agenda on Thursday and by Friday it's linked.

Svoboda said it happens an applicant isn't aware. The goal was to have available whether a Council member, or applicant, wanted to look on line. Not necessarily to provide better information with amendments, offered to the City Clerk, within the deadline, put on the web. Ross said could also have motions to amend on items up for third reading. Svoboda said it would be if at the time of an ordinance public hearing had an amendment to introduce would do there and appear on the agenda for third reading. Any amendment discussed and presented to Ross that day would allow her to post to the web. Marvin asked if consensus on amendments filtered through our packet and released as publicly disclosed amendments, to be posted?

Eschliman asked if we have a past amendment does it go on line, after the fact? Ross thought no and the action sheet would say there was a motion to amend, and had action. Where you will see the amendment is not until the actual resolution, or ordinance, is scanned. After everyone signs, it is on document management.

## **2. Council Staff Jon Camp**

Camp stated last year Council budgeted in a staff member, to do research. Would be a tool and even in tight budgets if we perform more efficiently should review and ask the Mayor for an allocation. Svoboda added possibly could be one practice of the outcome based discussion. Council could base on outcomes, realizing it may take 3 to 4 years to attain what we ultimately want.

Cook stated Council have different functions, not being tracked. We have constituent calls/letters, we solve problems, but do we make notes stating problems were solve? Svoboda said Council case outcomes may be providing better Council access to the public, whether in staffing or efficiency of members recognizing their community role. How much more efficient, or productive, we could be is staff based. Cook added we discussed having staff help with constituent complaints. Items could be handled, making department contact and helping in daily activity. Possibly help with budgeting. What is it we need most?

Emery stated we can list but in not talking of raising the levy to pay for other items think it's atrocious to say we should figure a way to do a better job for our staff. There will be a lot of justification for items cut. With budget perimeters, and if the tax is 6% or 6.5% hope everyone agrees the different constituent percentages are correct. Not convinced 14% of total taxes is where Lincoln should be. Start by saying to prioritize with a limit. Members have talked to employees about alternative retirement systems, etc. and think if you ask them to do things, but at the same time say you're not willing to talk about raising the mill levy, you won't get buy-in. Camp said a great example as with assistants would have time to do these activities, being proactive, visionary in our planning, and the reason we need the staff. This is a tool, we could serve better, more efficiently. Cook brought up doing research with Marvin saying to start with one, but to have talks like today.

Marvin will get an idea of a dollar clause, job description, departmental cost, and bring back to discuss. Svoboda added previous Councils have discussed and we'll continue this way unless we develop a plan. Could individually submit to the chair what we look at as an ultimate staff. Then when we meet come up with 3 or 4 different plans, and meld together to find one which works with a Chief of Staff, and possibly an attorney on staff. These are ultimate goals but similar to what the Omaha Council, and other bodies of our size have.

Emery added to submit how it is intended to be paid. Cook said he has learned what departments/people handle things. Omaha Council has their own lobbyist, their Mayor has his own, and maybe due to a disagreement, feeling they couldn't work together. We do much better coordinating activities. With a willingness of departments to help to take care of items, it's less important to have someone in our office.

Eschliman agreed with Marvin on Council relying on departments to provide the staff. We out source to other departments. A system we can live with or work on. Svoboda reiterated Council members could put together individual plans, or possibly do as small groups and submit to the chair. Then there would be a structure for a long term goal. Marvin thought possibly at one time Council had done this. Camp added maybe the state legislature would allow taping of minutes and not have Grammar or Meyer spend time typing them.

## **3. Night Meetings Jonathan Cook**

**(Attachments D & E)**

Cook highlighted 7 night meetings to consider. Hoped for 2 night meetings a month, but had conflicts, and concerns of night meetings followed by a holiday, another night meeting, with no day or Directors Meeting or Pre-Councils for weeks. If staggered would have fewer night meetings, but more than now. Originally night meetings were 6:30pm, then moved to 5:30pm. The meeting length at 5:30pm works, and with night meetings less likely to concentrate controversial items together, with no significant added expense. The concern before was too many Pre-Councils. We have Pre-Councils now, which works well.

Cook stated Council has become more efficient and with controversial items had two public hearings. Held

over as a night meeting for more people to attend. Did look up other cities; Des Moines meets twice a month at 4:30pm. Sioux Falls meets the first three Mondays at 7:00pm. Rapid City the first and third Mondays at 7:00 pm. Madison, WI, Lincoln's size, meets the first and third Tuesdays at 6:30pm. We meet every Monday, except for holidays. Could try for a year and if we find problems could change. Now have one night meeting a month, which would be standard. Sometimes we don't because of a holiday but if the middle Tuesday would make one night meeting a month and could add 7 additional nights. Would everyone be willing to try, and if a problem could change? One standard night meeting and then add 7 additional night meetings.

Camp doesn't want more night meetings. Svoboda hasn't heard from the public that more night meetings are needed. Recommend to maintain current schedule. If more night meetings people who normally attend from a business sector would adjust their schedules for evening meetings. Then proposing when looking at our 2008 schedule see no reason to take off the July 4<sup>th</sup> Monday, as some items get delayed because we take a day off. Don't know if July 4<sup>th</sup> Monday, or Thanksgiving week holiday Monday are important to take off.

Marvin stated there were discussions of taking June 30<sup>th</sup> instead of July 7<sup>th</sup>. If taking off June 30<sup>th</sup> do have 4 meetings that month. Typically we take off the July 4<sup>th</sup> weekend, so weren't including the 30<sup>th</sup> and working on July 7<sup>th</sup>. Svoboda commented we play important roles with projects before us, and don't know of a need to take off. Spatz admitted it may be easier to have night meetings. Also wonder if there are compromises, such as number of meetings. Eschliman added she doesn't like missing lots of work on Mondays but likes city staff at day meetings. Hate to pull people into overtime, and would rather schedule special night meetings then change the schedule.

Marvin stated the people who might actually want to run for elected office may be different if knowing they didn't have to take every Monday off. There are people like himself who don't have an employer to talk to, but thinks this narrows the people who consider running for elected office. Ideally at some point think we would give consideration of changing to all night meetings. Then people who work during the day have an opportunity to take a role in city government.

Cook stated generally staff stays for particular items. If during the day may sit an entire afternoon instead of being at work. With night meetings they have to attend and probably not as comfortable but do their day job and then come. Don't want to inconvenience but an issue of their ability to do their job which we take away from with day meetings. Marvin thought to take role and give Grammer direction on what Council will do. Cook added one concern was to act quickly. A lot of Councils take more holidays and some meet every two weeks. We have scheduled, or held over, to fit into night meetings, and don't think the holidays listed are a burden. Wouldn't want to schedule a change on the holidays. But if not 7 additional night meetings, can we go with a smaller number?

Marvin stated the count is Camp and Svoboda no. Cook and Marvin yes's, Emery doesn't care, then some maybe's. Emery has seen night meetings tried which didn't really draw more, with Spatz agreeing. Cook asked if Council would consider dividing the year? Use his calendar the first half? Spatz added March and September have an extra meeting, on March 24<sup>th</sup> and September 22<sup>nd</sup> have night meetings and on March 31<sup>st</sup>?

Eschliman suggested a compromise, make June 30<sup>th</sup>, March 24<sup>th</sup>, September 22<sup>nd</sup> night meetings. Spatz added do where we have extra night meetings, making it a night meeting. Marvin said the 31<sup>st</sup> and the 29<sup>th</sup> are now night meetings. Spatz replied according to the calendar the 24<sup>th</sup> and 22<sup>nd</sup> are day meetings and to have those be additional night meetings. With the remainder of the dates highlighted to be day meetings.

Cook said on the Labor Day Holiday the night meeting is scheduled the following week, still staggering. Have a night meeting before Labor Day then a day meeting, then a night meeting. Would everyone adopt this calendar with the holidays listed? Don't want to add night meetings on the 30<sup>th</sup>, and Council members should be able to travel. Went through a process to have holidays available, and ended up at the State Legislature where we received approval for this holiday schedule. The Legislature endorsed and don't want to start taking off holidays just because we could. Have 5 meetings in June, the third month with 5 meetings. Is there a

willingness for June, or just March and September? Marvin said March and September , two additional.

**Motion:** Cook made the motion to adopt an additional night meeting per month, plus additional night meetings on March 10<sup>th</sup> and September 15<sup>th</sup> .

**Discussion:** Spatz stated he would consider discussing some sort of time limit regarding the night meetings, and time frame. Is appropriate to say we will have a three hour hearing on a particular issue.

**Role:** Marvin, Eschliman, Svoboda, Cook, Camp, Spatz and Emery voted yea. **Motion Passed 7 to 0.**

#### **4. Pre-Councils**

Marvin asked if Council wanted a Pre-Council on budget for outcomes? Have discussed LES issues. Emery's suggestion was not to do a Pre-Council on budgeting/outcomes, as it may take an extended period of time.

Marvin asked for other Pre-Council items. Spatz stated in his role with the schools know one Board objective is to identify Board goals. Possibly we could consider. Identify an issue the seven of us agree on and a Lincoln issue and we could set as a priority. Even if there is no money to be spent, possibly a social cause, to identify a Council goal, agreeing on a priority.

Marvin reiterated to speak up if anyone has an issue which for a Pre-Council. Eschliman added usually other departments suggest, knowing what's coming. Camp suggested once a month, on the Noon Agenda have Pre-Councils as an item. Marvin's last two were Aquila and now the sales structure report. We should be report drivers, not staff, as it's items we want to learn of. Camp added additional staff would lend other sources and ideas and topics could be discussed. Cook trusts the Chair to make a lot of determinations, or may bring to the Council, but think we do a better job driving ourselves. Before the Mayor's office set Pre-Councils, with the Chair not playing any role.

### **III. LEGISLATIVE ITEMS**

#### **1. Denise Pearce**

**(Attachment F)**

Pearce attended and said there were proposals from Grand Island, North Platte, two from Lincoln, one being the Friends of Innovation Park. The Chambers, and others, presented on the 84<sup>th</sup> Street location. Included were a development company, a civil design group, and Kearney reps who stated to keep the fair in Lincoln. Discussion. Pearce added the Ag Committee will issue their report with recommendations after the public hearing. December 15<sup>th</sup> was the date the Ag Committee report was due.

Pearce said the attachment contains the draft document of Legislative priorities, in terms of process. In August started meeting to talk of items important to different departments, and different Legislative priorities. The list has been narrowed a draft list, first three pages given out. Also discussed the City Council of Omaha, and what the Omaha City Council lobby gave the Omaha delegation this week. The last item is an update on our federal priorities for 2008 fiscal federal year. An update to where our current Federal requests are.

Marvin asked if circled items are common to Lincoln and Omaha? Pearce replied yes, some similar items. Looking at roads dollars, and one item on our list is keeping an eye on Senator Raikes bill, 439, a task force to study the highway location formula. Some may be interested in changing the distribution formula, feeling it has more of a rural emphasis, and probably is the year to get it done in the Legislature, given the current composition of the Transportation Committee. Number 3 is storm water, which has been in the Legislature for years. Senator Schimek had a bill last year, the committee did not kill it and is still in the Natural Resources Committee. Lincoln is a part of a state wide coalition lobbying on this issue.

Safe Haven had a resolution passed supporting the bill. On general file, and had a priority generalization last year, several pending amendments. Don't know what's going to happen this year with the senior Senator having objections last year.

Under bills to support: Number 1 is the City of Omaha looking for more roads dollars, as we are. On the City Council side they would like to see a general fund appropriation. Marvin didn't know if we were in the low income area regarding the discussion about the arena.

## **2. Annual Local Option Sales Tax/Mayor's Legislative Priorities/Coordination with Omaha Priorities**

Cook asked if an additional amount of sales tax collected, or a portion of the existing? Marvin replied this was to allow the city to identify urban growth areas with the concept to take sales tax generated as a result of growth and use to bond or for road infrastructure. Not an additional sales tax but an allocation. Cook said this eliminates a vote of the people, taking general tax money to pay for bonds and roads, with no additional money coming in. Pearce said it is a local tool, no additional state dollars or additional local option authority.

Marvin asked how they know revenue came from a certain district? Herz believes language is being drafted. If it has grown up to 30% of the sales tax would be eligible to be bonded. Did run the test by the State Department of Revenue where they have tools to create a boundary of the parcel of city. The ratio was about the same as it would be for the roads. They geo-coded all of their sales tax reporting points in the City of Lincoln and they ignored sales that originated outside, and came up with about the same percent.

Svoboda asked if liability falls back on the general fund if sales tax is not generated in the area? An example is SW Village. The developer provided all infrastructure there, but if it were in this particular growth area, and the City structured a bond to pay for infrastructure that was public, and now WalMart backed out and nobody is looking at the land as they wanted to be there with a WalMart. All of a sudden no sales tax and the general fund has to come back. Marvin agreed but thinks the permanent growth area is not specific. He added it does change into a bid to become the State Fair and is a good lesson not knowing how land out on the edge is ultimately going to develop. They can claim it will go one way, and then it changes.

Eschliman stated she had a question about the City of Omaha page. The circles are what we support them on? Marvin replied the circles are similar legislation. Eschliman questioned No. 2, the Economic Incentive to Build Companies, would we have trouble supporting? And No. 3, Moving Violations, the debates with the schools. Do we agree or disagree? And, if we agree what is involved in ramping up in supporting? Pearce replied to keep in mind we are lacking some on resources, and trying to identify what we will spend the resources on. Senator Nantkes bill had an interim study on bill incentives. Mayor Beutler interested, and talked to her, but think it has made it out of committee. Not a matter of testifying. Have not looked at No. 3.

Spatz asked if anything prohibits Marvin from testifying on behalf of Council? Hoppe stated we really, strongly discourage anything outside of a combined effort. The City has limited political capital and need to spend wisely. The ways structured in the past is you pick a set of items to spend lobbying time on. The second set is where we might support by sending a letter. Then the third set is we may say, yes, you can say the City of Lincoln supports, but we're not going to put any effort into this. Also, you need a place to track. Pearce added a fourth, where you play defense. So, a very true process, things evolve on a daily basis. This is where we're at now. A short session and they want to hear from us on what's important.

Marvin stated we're also talking of the following year, things to plan for. He bought from the Internet, paying the sales tax, but couldn't figure how they got their percentage. Can we find out if purchasing over the Internet sales tax is ever filtered back locally? If not, what efforts are underway to find out if anything can filter back? Vendors don't know there is a local option, so they don't charge it. What can we do to first to put a bug in the State's ear? Hubka thinks Revenue can tell what they're getting from that type of commerce. Marvin said none filters to us on the local front and after we pay the local option does the money come back to Lincoln? Hubka replied it should and thinks it is gradually increasing, but not 100% of what it should be. Cook asked what method is used, do companies send checks locally, or it goes to the State who then distributes?

Camp added he filed sales tax this very morning with the State. Then the State sends it back. It goes through State administration. He added there is a code to identify a Lincoln district. But with lines and lines, you could



put in 50 codes, but assume that is how they do it. Hubka added we may get a check for sales tax from the State, but don't know how much is coming from individuals or from internet sales as a lot goes back to the tax confidentiality issue.

Marvin commented there was a multi-state, mid-west effort, to address this and thinks it may wind up being a legislative item, not this session but in future sessions, and we want to deal not only with items in this legislative session but items down the road. This is one item and would like a more information so we can tell what kind of bill we want to promote or push forward.

Herz stated the State of Nebraska is part of the consortium. There's not separate sales tax rates in local jurisdictions, and parts of the City had a different sales tax rate, problematic. Understood the process was still voluntary, not a mandatory portion of the sales tax. Marvin said it is seen more with people voluntarily putting it on. Herz replied if a store, such as Best Buy, with a local presence if you buy off the Internet through Best Buy, they do pay the sales tax. Marvin said the product he purchased charged 8%. Herz thought it was bought from Buy.com as opposed to Best Buy, and Buy.com doesn't have a local store. Marvin's point is not the people who are not paying, but if it does have a local component want to make sure there is the mechanism so it's not just going to the State of Nebraska and then sitting unclaimed, but flowing back. Herz is confident it is coming into the state and we're getting our share from the State Department of Revenue.

Camp asked if we could possibly obtain general numbers? Do recognize confidentiality but could the State say for out of State vendors who remit to us, that they send 50 million a year and Lincoln seems to get around 2 million or something? That way we have a handle and no confidentiality act to encroach.

Eschliman asked on the local option sales tax, and the City of Lincoln, is that necessarily the number 1 priority, number 2 priority? Pearce replied the Mayor has dedicated the arena funding and roads at the top of the list. Eschliman thinks if we're going to have an arena, need roads to get to it, and how is that bumped to number 2? Pearce replied both are at the top of the list. Depending on what happens with the Ag Committee, the state fair. Eschliman asked if they would look at this thinking the arena is more important than the roads?

Eschliman had a question on No. 2AI. It goes back to what would be done with the dollars, within the district, or is it city-wide? Pearce replied the Mayor has asked to have the authorizing legislation, just what this would be, this is not directing the cities to do this, this is authorizing legislation. You as the Council would have the opportunity to create the districts. When you do that you could put restrictions in as to where you want the money spent. You do the same when you issue bonds, designating where you want the money spent. Specific to be spent in the district itself, with opportunities in the process for that to be designated. If you didn't want to include in the authorized portion it would be because you wanted to keep it as broad as possible. Eschliman stated local would make the decision.

Cook said when talking of growth boundaries remember it is an influx of money from expansion and retail, serving an under served market, allowing us to lower the property tax levy significantly. Now saying to take a part of and bond to roads. Think problematic as we rely on this revenue stream. Pearce replied when forming the district and issuing the bond, you decide where the money is to be spent, and we don't have to take the whole. Cook understands the difficulty and the fact we couldn't raise the property or sales tax percentage for a particular shopping center. He wanted to bring up the local option sales tax in a different form to see if a chance with new legislators next year if there would be a possibility of giving voters the authority to raise our local option? A percent and a half is not magical, if people felt property taxes were a burden this would help, and why not give the chance to vote on property tax relief by having a higher sales tax? Or having the money go to roads, to parks, etc.? Local voters should have an option and now the Legislature denied voters this option. Understand they want to keep all control focused in their domain, but with new Legislators it may be possible.

Marvin said a year ago at the Chamber he asked for an update on this bill. Hoppe added was the improvement districts that allows an increased sales tax for various areas, for entertainment districts. You go up to a half,



or a quarter, percent. Thought it was still languishing. Pearce added Cook is probably right, they've probably have a year before you have a chance of getting this done, institutionally. Pearce thought the bill had been killed, but will check and let everyone know, and within the Revenue Committee, Senator Avery had a similar bill. Marvin stated at a Noon meeting Pearce could give update as to whether the bill is alive or not. Cook added we have really great lobbyists here today.

Camp commented his seriousness about taping minutes, and why don't we ask the Legislature, as it is understood the Legislature requires written minutes of public meetings. There has to be a record. He asked for the definition of record to also be included, and instead of Grammer typing this if we could visually, or by audio, record and keep. We use technology and is a way we could save a lot of time. Grammer said Meyer and herself spent a lot of time on minutes. Spatz commented possibly too specific in the minutes than what is needed. It can be general, a record of what happened.

Cook said they use to do verbatim for formal council meetings and changed to summary form. If anyone wants to know specifically what went on they can check the video on demand or get a CD, which is kept on tape, indefinitely. Marvin said there will be an update from Gonzolas about the changeover to digital format. Camp added could authorize transcription with the new software, which reads, or listens. The software which types what has been said, and we would still be protecting the public.

Camp added his second item on personnel is in the 70% to 75% of cost of government and have said before to go for the CIR changes, trying to figure out outcomes and bases. Camp added 70% to 75% gets the first meld, and think we need to let the Legislature know we need changes. We have to get the power back with us. The CIR is unfunded State mandated, we've used our abilities and think we need to have some modifications and get it back. The session is too short but would like to say we need to put emphasis out, lay the groundwork, get the Legislators, as it affects the School Boards out in Cherry County and the smaller areas, talking across the board. Secondly, and not necessarily a Legislature item but would like to see Council have a working session with the Mayor's office in a similar fashion as this, where we can address ideas for the union contracts coming up, so we can respectively, pro-actively share thoughts we have so whoever is negotiating for us, can give some instructions. In the past essentially we have an executive session and we're told where the negotiations are at, so Council is being told, retroactively, what happened. But let's put have input. Where do we want these outcomes to be? Outcome based, union negotiations as an example, as we have large challenges. So, CIR, Legislative element, but also how we on our level can work together and try to change things on negotiations.

Emery said quit beating them u, if you beat them up in the paper and you ask them to come to the table and say, okay, let's work for what's good for the City you are not going to win with the employees.

Eschliman had with the League of Municipalities, is that one of their priority items? No? Pearce will check but think it is not a priority item.

Spatz added we've identified the problem. Don't think by saying there are some issues with how we interpret the law, the State and dealing with the CIR. The people would say, if you even say CIR that means you're beating up your union members. Emery commented he didn't say that. Spatz stated that's not the case and we need to change. Noone is suggesting we do anything that would harm anyone, and we have to change that perception because it can be used to scare the ones who say, you can't touch the CIR. There's a lot of Legislators now who have no idea of how the CIR is interpreting the laws that they've written.

Camp added that LES, working within the confines of the CIR has basically three tiers of employee comparability. A national comparability, the next tier of administrative employees are recruited regionally and then everyone else is local.

Marvin called for adjournment. Members agreed by acclamation.

Attachment A

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## About the book

### The Introduction from ...

## The Price of Government

Getting the Results We Need  
in an Age of Permanent Fiscal Crisis

By **DAVID OSBORNE** and **PETER HUTCHINSON**

*The usual, political way to handle a projected deficit is to take last year's budget and cut. It is like taking last year's family car and reducing its weight with a blowtorch and shears. But cutting \$2 billion from this vehicle does not make it a compact; it makes it a wreck. What is wanted is a budget designed from the ground up.*

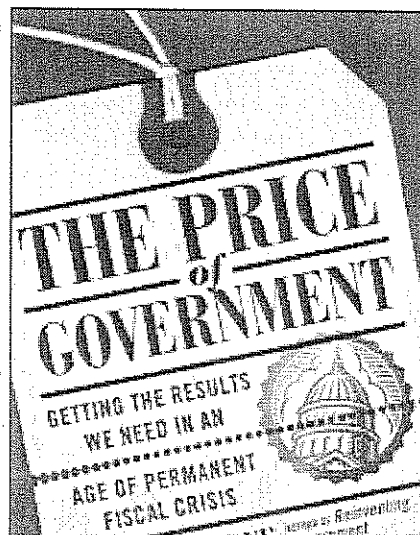
—*The Seattle Times*  
November 17, 2002

**A**merican government is waist deep in its worst fiscal crisis since World War II.

On April 7, 2003, the mayor of New York announced the layoff of 3,400 city employees and the closure of eight firehouses. The following day, the city's Department of Education cut another 3,200 jobs. America's largest city faced a budget shortfall of \$3.5 billion, despite an 18.5 percent increase in the city property tax and the elimination of 14,000 city jobs since Mayor Bloomberg took office.

Nationwide, 16 percent of cities and towns were forced to cut police positions in 2002 and 38 percent of large cities predicted cuts in police services — even as crime rose and pressure to improve homeland security increased. Portland, Oregon's largest city, cut its police budget by more than 10 percent over three years. Station houses now close at night, the city is turning nonviolent criminals free because it can't afford to provide public defenders, and the county had to stop prosecuting drug and property crimes, like burglary and auto theft. Crime is already up sharply.

Many school districts in Oregon had to end school weeks early in 2003, because of state



funding cuts. Oklahoma City had to close seven schools and dismiss 600 teachers. Birmingham, Alabama, closed nine schools, Boston five. Some 100 local school districts across the country shut down schools one day a week to save money.

But local government problems are dwarfed by those of the states. Collectively, the states faced a budget shortfall of \$82 billion as they approached fiscal 2004 — “the most dire fiscal situation since World War II,” according to the National Governors Association (NGA). “The stress is just huge,” said longtime NGA executive director Ray Sheppach, “by far the worst we’ve ever seen.”

In fiscal 2002, 38 states cut their budgets by nearly \$13.7 billion. In 2003, 40 states — the most ever recorded by the NGA’s *Fiscal Survey* — cut another \$11.8 billion. Connecticut laid off prosecutors; Kentucky and Washington released prison inmates. Every state in the union has cut Medicaid: either throwing poor people off the rolls, cutting benefits, limiting payments to health providers, raising co-payments, or limiting prescription drug coverage. Texas cut 275,000 children from its health-care rolls, while Nebraska raised the eligibility threshold for Medicaid by 30 percent.

Most states have cut spending for higher education. As a result, the University of Arizona hiked tuition by 39 percent in the fall of 2003, the University of Oklahoma by 28 percent. Massachusetts, Missouri, Iowa, and Texas have all raised tuition at least 20 percent. Meanwhile, programs are disappearing: The University of Illinois eliminated 1,000 classes; the University of Colorado dropped programs in journalism, business, and engineering; the University of California delayed the opening of an entire campus.

The future looks even bleaker. State governments have just begun to pass their problems down to cities and counties, with deep cuts in local aid. And the federal government is digging a fiscal hole so rapidly that further cuts and unfunded mandates for states and localities are inevitable.

Scheppach argues, correctly, that the public sector has entered an era of “perpetual fiscal crisis.” He describes the convergence of forces swelling to buffet public finance as “a perfect storm.” Most prominent among these are a colossally irresponsible president and Congress, an obsolete tax structure, an aging population, an ineluctable rise in the cost of health care, and continuing resistance to major tax increases. Economic recovery will ease the pain, but it will not eliminate it.

The president’s tax cuts and spending increases, passed enthusiastically by Republicans in Congress, have blown a hole in fiscal policy that will be difficult to close. The 2004 deficit is expected to weigh in at *\$521 billion*. Federal revenues in 2003 were the lowest, as a percentage of gross domestic product (GDP), since the 1950s. In January 2004, the Congressional Budget Office forecast that at current spending and tax levels, President Bush’s plan to make most of his tax cuts permanent would increase the national debt by *\$4.1 trillion* over the next decade — a *60 percent* increase in just 10 years. This would create a future obligation of \$37,450 for every living American.

At the state level, other factors are at play. In fiscal 2002, per capita tax collections were down almost *10 percent*, when adjusted for inflation — the first year they had fallen since the NGA began tracking them almost 60 years ago. Total revenues (adjusted for inflation and tax increases) dropped for eight straight quarters. The recession, by historical standards quite mild, was only a

part of the problem. A second element was the transformation of capital gains into losses as the stock market bubble burst; a third, the tax cuts passed by many states during the flush years of the late 1990s; and the final element, a sudden drop in performance bonuses, which have emerged as a much greater portion of income over the past decade.

These problems will pass, though not quickly:

Tax revenues lag economic recoveries by several years. But more fundamental problems will persist, because our tax base is, to use the NGA's word, "deteriorating." In the Information Age, we cling to an Industrial Era tax base, capturing less and less of the economy. Corporations can avoid taxes by moving money to offshore tax havens

**In the Information Age, we cling to an Industrial Era tax base, capturing less and less of the economy.**

with the press of a button. Most states don't tax services, which now account for almost 60 percent of consumer spending. Congress and the Supreme Court forbid taxation of Internet access, as well as Internet and catalog orders from companies that have no physical presence in the purchaser's state. Imagine that we had said, when we first imposed sales taxes in the 1930s, "We have to protect this new industrial economy, so we'll tax only agricultural products." When we refuse to tax services and Internet sales, we do the equivalent today.

Will the fiscal storm force us to modernize our tax systems? To a degree, yes. But because we now live in a global economy, in which businesses can easily shift investments across state or national boundaries, it is more difficult than ever to broaden the tax base. Every attempt is met with the argument that new taxes will slow the economy, because corporations will relocate and investors will take their money elsewhere. Around the world, the new economy has put a lid on tax revenues.

The third pressure system in the perfect storm is our aging population. With average life spans pushing 80, we spend ever greater portions of our income on the elderly. In 1975, Social Security and Medicare consumed 23 percent of the federal budget; today the figure is 34 percent. The Congressional Budget Office projects that under current law, even if the historical growth of Medicare slows a bit, those two programs will rise from about 6.6 percent of GDP to almost 15 percent by 2030 and about 22 percent by 2050. To put this in perspective, *total* federal expenditures have averaged about 20 percent of GDP for the past 50 years.

At current tax levels, both Social Security and Medicare are headed for insolvency. Thanks to the baby boom, the number of people 65 and older is expected to double over the next 30 years, while the number under 65 — who must pay Social Security and Medicare taxes — will increase only 15 percent. That demographic reality paints a frightening picture. By 2003, reserves plus the long-term value of all Social Security taxes to be paid by current workers over their lifetimes totaled \$3.5 trillion. But benefits owed retirees and these same workers over that period totaled *\$14 trillion*.

And Social Security is only the tip of the iceberg. Public pension funds are also in trouble. Of the 123 largest funds monitored by the Wilshire Group, 79 percent are underfunded. Nine states have liabilities that exceed their annual budgets, and the total shortfall could be as high as \$1 trillion within seven years. With all other state, municipal, and county funds added in, the number could be \$2 trillion.

But the real time bomb hidden in our ever-longer life spans is the cost of health care, which has been rising by 10 percent a year since 1960. It now eats up 15 percent of GDP, and governments pay 45 percent of that total. The rise appears both inevitable, because of our aging population, and unstoppable, because the American people wouldn't have it any other way. When technology can give us longer life spans — with new hearts and hips and knees, new drugs for cancer and heart disease and AIDS, new machines to scan our insides for problems — we will continue to shell out for the best medicine has to offer. And because we refuse to junk our aging loved ones as if they were worn-out machines, we will spend an ever-rising portion of our health care dollars on the elderly.

Skyrocketing health-insurance premiums are bad enough. Because they consume an ever-increasing share of our profits and paychecks, however, they also erode our ability to pay taxes to support public spending on health care. Yet that very spending is exploding. In 1985, Medicaid cost \$40 billion and consumed 11 percent of state budgets; today it costs \$230 billion and consumes 20 percent. (Health insurance for state employees and the non-Medicaid poor takes another 10 percent.)

It's not hard to see why. The elderly made up less than 10 percent of Medicaid recipients in 2000, but they consumed 28.3 percent of spending. Medicare, which is exclusively for the elderly, cost \$278 billion in 2003, nearly 10 times what it cost in 1970, even after adjusting for inflation. The cost of care associated with the graying of our population is simply eating government alive.

Meanwhile, other pressures give budget makers few places to cut. Education spending has risen steadily for 40 years; today it consumes 33 percent of the average state budget. But we can't compete in the global economy without better education, so our leaders resist major reductions. In an effort to reduce crime, we have imprisoned more than two million Americans — a *fourfold* increase in 25 years. But no one wants to see felons released onto the streets, so we won't make deep cuts in prison spending. And our public infrastructure of roads, bridges, airports, and water and sewer systems is in no condition to absorb cuts; if anything, we have deferred maintenance for so long that future costs will rise.

**SINCE THE FISCAL STORM BROKE**, many governments have flailed about, grabbing any solution that could keep them afloat for another year. The tidal wave of red ink has triggered accounting gimmicks worthy of Enron: shifting next year's revenue into this fiscal year; pushing this year's spending onto next year's books; borrowing against future revenue to pay current costs. At least 20 states have sold their huge, 30-year tobacco settlement revenues at deep discounts to plug current deficits. As former congressman Bill Frenzel put it, "Politicians have more tricks than the CFO of Enron." Some government financial officers have even admitted, off the record, "If we were in the private sector, we'd be in jail."

When sleight of hand is no longer enough, our leaders have turned to across-the-board cuts, which weaken every program equally, regardless of its impact on citizens. When these are exhausted and real choices must be made, legislatures typically cut in an ad hoc and highly political fashion, based largely on which interest groups have the most muscle and scream the loudest. This process inevitably victimizes the weakest members of society, who have the least political clout. This is what the *Seattle Times* likened to "taking last year's family car and reducing its weight with a blowtorch and shears."

But as shortsighted or thoughtless as these tactics may be, they all obscure the fundamental flaw in the conventional approach to fiscal crisis. The true outrage is that traditional budget cutting focuses entirely on what we cut (or hide), while ignoring what we keep. It does little to improve the effectiveness of the 85 or 90 percent of public dollars that continue to be spent. It never broaches the question of how to maximize the value of the tax dollars we do collect.

Some conservatives are happy with this situation; they don't mind begging government. Many liberals plead for higher taxes to protect spending for the poor and other core constituencies. But virtually all ignore the 90 percent that remains. Few ask the most fundamental question: How can citizens get the most value for the taxes they do pay? Addressing this issue is neither liberal nor conservative — it is just plain common sense.

## **THE WASHINGTON STATE EXPERIENCE**

Consider the recent experience of Washington State. In fiscal 2002 and 2003, the state's general-fund revenue declined for the first time in 30 years. Halfway through this period, Democratic governor Gary Locke and the legislature had to trim \$1.5 billion and eliminate 1,340 jobs. The governor and his staff were extremely frustrated by the process.

"Every step we took, we asked ourselves, 'Why aren't we asking the right questions; why are we so focused on the cuts and not on the keeps?' " says Marty Brown, director of the Office of Financial Management (OFM). "We were missing something — we knew it in our guts."

The governor was tired of across-the-board cuts. He wanted to focus on the big question: What should state government do and what should it stop doing? In the upcoming biennium, he faced an estimated \$2.1 billion deficit in the general fund — almost 10 percent — plus another \$600 million in the health-services account. "Closing the \$2 billion gap we face in the next biennium would require an across-the-board cut of 15 percent — if that's all we did," he announced. "And that is not what we are going to do. I don't want to thin the soup. I want state government to do a great job in fulfilling its highest priorities."

In August 2002, Locke's chief of staff asked our company, the Public Strategies Group (PSG), for help. We made him an "unreasonable" proposal. In the time available, only ten weeks, we were not going to help Washington find cuts equivalent to 10 to 15 percent of its general fund budget — at least not the traditional way. So we shifted the focus from spending cuts and tax increases to helping Governor Locke buy the best possible results for citizens with what remained.

Like most governments, Washington traditionally started with last year's budget and added money to cover inflation, caseload increases, and the like. Then it asked each agency to propose cuts. The agencies traditionally volunteered as little as they thought they could get away with, while padding costs to protect against the cuts they knew were inevitable. Then an army of analysts in the finance office combed through agency submissions looking for savings. As usual, the entire process was based on the assumption that no one could be trusted. More important, it accepted, "with little question, most of the status quo level of spending," says Wolfgang Opitz, deputy director of OFM. "Moreover, it led quickly to discussions about how fairly we've treated each agency's programs in the cut exercise."

In contrast, PSG proposed budgeting for *outcomes*: starting with the results citizens wanted, not the programs the agencies funded. We proposed to start not with last year's spending but with the outcomes that mattered most to the public. We urged the governor and his staff to focus not on how to cut 10 to 15 percent but on how to maximize the results produced with the remaining 85 to 90 percent. Governor Locke decided that this unreasonable approach was the only reasonable thing to do.

PSG helped the governor's budget staff design a process to answer five key questions:

- Is the real problem short or long term?
- How much are citizens willing to spend?
- What results do citizens want for their money?
- How much will the state spend to produce each of these results?
- How best can that money be spent to achieve each of the core results?

These five questions led to five key challenges.

### **1. Get a grip on the problem.**

How you define a problem dictates how you approach its solution. Washington's fiscal staff were clearheaded about their dilemma. They defined the problem as the convergence of three forces: a deep economic recession that slashed revenues; permanent limits on revenue and spending growth imposed by antitax activists through statewide initiatives; and rising costs for the core activities of the state — "education, medication, and incarceration," as Marty Brown describes them. Of the three, only the recession's impact on revenue could be termed cyclical, likely to turn around someday. The other two were more or less permanent. Thus, they decided that solutions had to be more or less permanent.

### **2. Set the price of government.**

This was the purview of a Guidance Team, made of up senior policy people, including Chief of Staff Fred Kiga, and several leaders from business and private think tanks. (Organized labor was invited to participate, but chose not to.) Its first big decision was to build the budget based on expected revenues under existing law, without new taxes. In early November, despite heavy lobbying by Locke, voters soundly defeated a gas tax increase to pay for long-needed transportation projects. This antitax reality — plus a fear that tax increases would further depress the state's economy — led the team to advise the governor against raising taxes.

### **3. Set the priorities of government.**

Here the Guidance Team was assisted by a Staff Team, made up of senior people from the Office of Financial Management. Working together, they defined the key results they believed Washington's citizens most wanted from state government. The Guidance Team refined these into 10 desired outcomes, which the governor called the "Priorities of Government." They included improvements in:

- student achievement in elementary, middle, and high schools;
- the quality and productivity of the workforce;
- the value of a state college or university education;
- the health of Washington's citizens;
- the security of Washington's vulnerable children and adults;
- the vitality of businesses and individuals;



- statewide mobility of people, goods, information, and energy;
- the safety of people and property;
- the quality of Washington's priceless natural resources; and
- cultural and recreational opportunities.

#### **4. Allocate available resources across the priorities.**

The next challenge was to decide how to allocate the state's entire budget across the 10 results. The two teams set aside 10 percent for overhead functions, such as pension contributions and internal services, then parceled the rest out among the 10 results, using a citizen's point of view, based on perceived value, rather than an analysis of past practice. In some areas their choices reinforced past patterns, but in a few they made changes — allocating more resources to economic vitality, for example, and fewer to public safety.

#### **5. Develop a purchasing plan for each result.**

The Staff Team then put together 10 "Results Teams" — one for each outcome — made up of knowledgeable people from agencies involved in that policy area. "We asked them to forget the loyalties they have to the agencies they represent," said Governor Locke. "Be like citizens," we said. "Tell us where to put the money, so we get the best results. Tell us what similar programs can be consolidated. Tell us what programs don't make a large enough difference in getting the results we want."

Each team started by choosing three indicators they would use to measure progress toward their outcome. Then they developed a strategy map, which used available evidence about "what really matters" to create an explicit cause-and-effect diagram showing the best ways to achieve the desired outcome. With a cause-and-effect theory in hand, they developed a general purchasing plan: the five or six key strategies they would use to produce that outcome.

This process stimulated a kind of creativity that is absent from traditional budget development. For example, the team dealing with K-12 education said they needed to purchase more early childhood education, start the shift to a "pay for skills" compensation system for teachers, and move away from across-the-board school funding toward targeted funding for those schools and kids most in need. The health team decided that the highest-impact strategies focused on *prevention*: mitigating environmental hazards, improving food sanitation, providing public health clinics, and the like. They proposed spending more on these strategies and less on health insurance for childless adults.

Next, the process turned to existing state activities — the place traditional budget processes start. Each Result Team was given a subset of the 1,300 state activities funded by the traditional budget. "Their mission," the governor explained, "was to get more yield on less acreage." To do so they had to put together a detailed purchasing plan, indicating four things:

- what they would buy — both new and existing activities;
- what else they would buy if they had more money;
- what they would eliminate first if they had less money;
- and what they would not buy.

Finally, the 10 Results Team leaders met together to talk about what they needed to purchase from one another. The higher-education team decided to use some of its funds to pay for better K-12 education, to better prepare its

**Cross-team buying  
was necessary  
because the work of**

incoming students. Two teams jointly bought increased efforts to protect water quality, to improve both health and natural resource outcomes. Several teams decided to use some of their money to fund prisons, to reduce the number of low-risk prisoners who would have to be released early. This cross-team buying was necessary because the work of state government is so interconnected: Spending in one area contributes to outcomes in others.

**state government is  
so interconnected:  
Spending in one area  
contributes to  
outcomes in others.**

Following this meeting, the Results Teams finalized their purchase plans. These plans gave the Staff Team and Guidance Team a prioritized ranking of all existing activities of state government. Using these and similar rankings provided by the agencies, they made final recommendations to the governor. The result was, in effect, ten strategic programs for state government-linking results, indicators, strategies, and purchase plans.

The governor embraced the product and generally followed the purchase plans in finalizing his budget proposal. Under each of his 10 priority results, his budget showed those activities that would be purchased and those that would not. It was clear, easy to understand, and it explained in simple terms why some activities continued and others were eliminated.

Governor Locke had warned that the budget would be painful, and it was. It proposed to eliminate health insurance for nearly 60,000 of the working poor; dental, hearing, and optometric coverage for poor adults on Medicaid; and 2,500 state jobs. If passed, it would eliminate cost-of-living increases for state employees, and suspend teacher pay increases and a \$221 million class-size-reduction effort both mandated by citizen initiatives. University tuition would rise by 9 percent a year for two years; 1,200 low-risk felons would leave prison early; and a series of smaller programs would shut down.

Yet the response from the state's newspapers was overwhelmingly positive. As former chief of staff Joe Dear put it, "Never has such bad news been received so well."

"Gov. Gary Locke's budget is a big step forward for Washington," declared the *Seattle Times*.

"Few Washingtonians will find much to like about the brutal state spending plan Gov. Gary Locke recommended Tuesday," added the *Tacoma News Tribune*. "But as ugly as the result was, there's a lot to like about the way Locke and his staff arrived at it, using a new process that forced hard choices about the core priorities of state government."

After six years in office, Locke was widely seen as a status quo manager. But by setting clear priorities and making tough choices — while refusing to raise taxes or make across-the-board cuts — he transformed his image. When Republican John Carlson ran against him in 2000, his central message was that Locke had failed to show any leadership. Soon after the budget was released, Carlson wrote a column indicating that he had changed his mind. Locke's "budget for the next two years is a work of bold, impressive statecraft," he wrote. He told the *Seattle Times*, "He is willing to face down the most powerful interest groups in his own party to bring this budget in without a major tax increase. Genuine leadership is doing what must be done when you don't want to do it. And I think the governor is doing that."

In a late January survey, voters agreed. Sixty-four percent endorsed the following statement: "Whether or not I agree with all of the governor's budget recommendations, I respect his leadership and vision to solve the current problem and get the state's economy back on track." Only 29 percent disagreed.

The legislature also liked the new budget format. "It was astounding," says Finance Director Brown. "I've never been to a set of hearings where the reception was so positive, despite the amount of bad news we had to deliver." With the budget framed around 10 desired results and all activities listed in order of importance — including those that would survive and those that would be eliminated — legislators found the documents very clear.

One committee chair asked what would happen if a proposed revenue change in health were not approved, Opitz recalls. "I said, 'Just move the line up \$389 million. That shows you what's still on the list and what's off.' There was no hemming and hawing. It made it very clear that our choice was probably better than cutting deeper into the Medicaid program."

In early April, when the Republican majority in the Senate presented its own budget, the first slide was titled, "Following the Governor's Lead." Despite deep differences between the parties over taxes and budget cuts, the legislature ultimately passed a budget that was remarkably close to Governor Locke's original proposal. Legislators approved Locke's major sentencing reform in criminal justice and his proposed delay in initiatives that would have reduced class sizes in K-12 and guaranteed automatic pay increases for teachers. They also agreed to amend another public-initiative-backed plan to expand coverage in the state basic health plan in order to allow its revenue to go toward current programs. And they required that the next biennial budget be structured around the 10 Priorities of Government, with outcome measures for each one and for each activity proposed.

Public reaction was similar. "When we've taken this public, no matter what the setting — business, labor, social services advocates, health care, the classroom, the Rotary meeting — people understand what we're doing and not doing in a much more fundamental way than ever before," according to Opitz. "When they say, 'Well, I don't like that cut,' I say, 'Okay, then what from above this line do you not want to do?' And the response is usually 'Oh.... Well, I'm learning to like the cut a little more now.' It seems to be helping resubscribe everyone to the basic business of state government."

Perhaps most important, Budgeting for Outcomes can help public leaders win back some of the support government has lost in recent decades. The *Everett Daily Herald* put it well:

*The public is not in a forgiving mood. It still holds a grudge for a government it sees as wasteful and unresponsive. Locke's plan, or one like it, might be a good step toward proving otherwise. The more thrifty government becomes, the more generous voters might be at the ballot box.*

Washington State has not finished its work. It has much more to do to maximize the results citizens get for the \$24 billion they still spend every two years. Because time was so short, the governor held back some of the more far-reaching reform proposals for further work. He proposed a joint legislative-executive study of the K-12 financing system, for instance, to examine the options more carefully and build the political support necessary for reform. The

finance office and Results Teams plan to deepen their reexamination of other strategies to produce the 10 results, in preparation for the next budget cycle. And the agencies will develop outcome and output measures for each activity, so the next budget can include performance targets for every activity funded.

But the Outcome Budget has opened a door, and Governor Locke fully intends to drag his state through it. The goal is not just to save money, but to foster strategic thinking and big reforms that will help government produce better outcomes for less money. And that is precisely what the American people want.

## **SMARTER GOVERNMENT**

As Washington State demonstrates, new ways of doing the public's business already exist. This book will describe them, showing not only how vital services can survive the permanent fiscal crisis, but how leaders can turn that crisis into an opportunity to reinvent the way their bureaucracies work.

Our prescription begins with the five critical decisions Washington State made:

- **1. Getting a Grip on the Problem:** Is it short or long term? Is it driven by revenue or expenses, or both?
- **2. Setting the Price of Government:** Determining how much citizens are willing to pay.
- **3. Setting the Priorities of Government:** Deciding which results citizens value most.
- **4. Setting the Price of Each Priority:** Deciding how much the government will spend to produce each of these outcomes.
- **5. Purchasing the Priorities:** Deciding how best to produce the desired results at the price citizens are willing to pay.

Once these decisions have focused attention squarely on buying better results for citizens, the 10 approaches described below provide the means. Through smarter sizing, spending, management, and work processes, they make it possible to produce the desired results at the set price, by increasing the value created for every dollar spent.

### ***1. Strategic Reviews: Divesting to Invest.***

Because time is short during budget season, smart leaders create ongoing review processes — outside the budget process — to develop new strategies and eliminate programs that are not central to their core purposes or are no longer valuable to citizens. There are many tools they can use to comb through every organization, from top to bottom, including program reviews, sunset reviews, special commissions, and subsidy reviews.

### ***2. Consolidation.***

Politicians love to merge organizations, because it looks like they're taking action to save money. But simply moving boxes on an organization chart can actually make matters worse, increasing costs while sowing confusion that hampers performance. A much more powerful alternative is to consolidate funding streams and "steering" authority, so steering (policy) organizations can purchase results from any "rowing" organizations — public or private — that can

best produce them. Consider the Pinellas County Juvenile Welfare Board, in the Tampa-St. Petersburg area. As we will describe in Chapter 5, the board uses \$46 million a year from a dedicated property tax to contract with some 60 different not-for-profit organizations to improve outcomes for poor children. It does no rowing itself, but these 60 providers offer a wide array of services, from child-care centers to parenting skills to teen centers to residential treatment services. The Juvenile Welfare Board measures their performance, weeds out the least effective, and moves money to strategies and organizations that demonstrate the greatest impact.

### ***3. Rightsizing.***

Some organizations work better when reduced in size, but others are crippled. The keys to success are to find the right size, then to make sure your organization has the right mix of skills to maximize the value delivered. Eliminating management layers and closing regional offices can help your organization find the right size, while human-capital planning can help it develop the right skills. Consider the Iowa Department of Transportation, which eliminated 7 construction offices, 5 maintenance offices, and 27 maintenance garages during the recent fiscal crisis. It cut 403 positions (11 percent of its workforce), increasing the average span of control from one manager for every 9 employees to one for every 14. To protect services like snow plowing and highway maintenance, the department bought new technology and cross-trained employees, so the same workers now handle both construction and maintenance. The bottom line: \$35 million in annual savings.

### ***4. Buying Services Competitively.***

The fastest way to save money and increase value is to force public institutions to compete. Nobody who doesn't own one thinks monopoly is good for business. Why should it be any different in the public sector? When Steve Goldsmith was elected mayor of Indianapolis during the last fiscal crisis, he decided to make public agencies bid against private firms for the right to continue delivering public services. Over the next four years he bid out more than 30 services, from garbage pickup to operation of the city's wastewater treatment system. The average amount saved the first time a service was bid competitively was 25 percent. Over seven years, competition saved Indianapolis more than \$120 million.

### ***5. Rewarding Performance, Not Good Intentions.***

If public-sector managers don't know what they're getting for their money, chances are they aren't getting it. The solution is to set performance targets at all levels, measure performance against them, and reward those who improve. In a time of fiscal crisis, however, positive outcomes aren't enough. The new imperative is improving outcomes for less money: value for dollars. One simple tool is "gainsharing," for instance. The public-sector equivalent of profit sharing, it gives teams that cut costs while maintaining or improving quality a portion of the savings they generate, as financial bonuses. In the late 1990s, when managers at the Seattle area's wastewater treatment operation agreed to let employees keep half the savings they generated, total savings over four years amounted to \$2.5 million, with no reduction in service levels or effluent quality.

### ***6. Smarter Customer Service: Putting Customers in the Driver's Seat.***

When public organizations let their customers choose between providers, rather than imposing services on them, they can achieve much greater customer satisfaction at less cost. With some services, the Internet even makes self-service possible, at enormous savings. But consider a low-tech service like care for developmentally disabled children. During the 1990s, Minnesota's Dakota County stopped paying agencies for services and instead provided grants

directly to families. The families chose the services they wanted, subject to certain controls, to make sure they used the money responsibly. This dramatically improved customer satisfaction, because families could now make decisions that made sense for them — like having one parent quit work to care for a child, rather than using a caregiver paid by the county. Everyone was better off, and the county saved money. The innovation was so successful that it was adopted statewide.

### ***7. Don't Buy Mistrust — Eliminate It.***

The sad truth of bureaucracy is that 20 percent of government spending is designed merely to control the other 80 percent. The ruling assumption is that most of us, given the opportunity, will lie, cheat, and steal. Not only does this approach undermine performance, it is incredibly expensive. The smarter move is to first win voluntary compliance by simplifying the rules, working in partnership with compliers, making the process of compliance easier, and creating incentives that reward compliance while keeping stiff penalties for those who still refuse to comply.

Ten years ago, for example, Occupational Safety and Health Administration (OSHA) officials in Maine were intensely frustrated by the failure of their traditional inspect-and-fine approach. While they won gold medals from Washington for issuing the most citations and fines, Maine's workplace safety records were the worst in the nation. So they decided to try something different: They asked the 200 employers with the highest volume of injury claims — 45 percent of the state's total — to create employee teams that would survey hazards in their plants and correct most of them within 12 months. As long as the company was making a good-faith effort, OSHA would forgo its traditional inspections and fines. Over the previous eight years, OSHA inspectors had identified 37,000 hazards at 1,316 work sites. In the new program's first two years, employee teams identified 174,331 workplace hazards and corrected 118,671 of them. Two of every three companies decreased their injury and illness rates, and payable workers' compensation claims by the 200 firms dropped by 47.3 percent — far outpacing declines in other companies.

### ***8. Using Flexibility to Get Accountability.***

From the governments of New Zealand and the United Kingdom to the U.S. Education Department's Office of Federal Student Aid (FSA), examples abound of "performance-based organizations" that have willingly accepted greater accountability in return for freedom from rules and regulations that impede performance. Charter schools use the same formula, with even more independence and accountability: They are free from many state and district rules, and most operate independently of any district, but they can be closed down if they don't perform. The state of Iowa is even working on a "freedom communities" initiative, in which the state would give groups of local cities and/or counties new flexibilities if they modernized their structures and created mechanisms to measure performance and report it to the public.

### ***9. Making Administrative Systems Allies, Not Enemies.***

All organizations are creatures — or prisoners — of their internal systems. Traditional budget, accounting, personnel, procurement, and audit systems are nests of red tape that tie employees up in knots. The messages these systems send about following bureaucratic rules are much more powerful than any leadership exhortations to perform better. To get lasting improvements in performance, public leaders have to modernize and streamline these systems. The payoff is dramatic savings: Two major procurement reform bills passed by Congress, in 1994 and 1996, had already saved \$12 billion by the end of 1997. Milwaukee's Purchasing Department was able to cut its staff by nearly two-

thirds and its budget by more than 55 percent by simplifying processes, investing in technology, and giving more authority to departments. Montgomery County, Maryland, managed to shrink its accounts payable staff by more than half simply by giving departments authority to pay invoices in amounts up to \$5,000 rather than sending them to central accounts payable.

**10. Smarter Work Processes: Tools from Industry.**

To do more with less, organizations must ultimately change the way they work. Some of this involves wholesale substitution of new methods and strategies. But much of it requires that existing work processes of all kinds — from street repair to eligibility determination to tax collection — be streamlined. There are many ways to do this, but we will describe three of the most powerful, all of them tools first developed in industry. Total Quality Management trains and empowers small teams of employees to make continual improvements in their work processes. WorkOuts, invented at General Electric, bring people together for three to five days to solve problems; leaders set a time limit for finding answers, approve or reject recommendations on the spot, and keep everyone on the job until it is done. And Business Process Reengineering is radical, “clean sheet” redesign of complex, large-scale business processes, to increase their efficiency and quality in dramatic ways.

**THE REST OF THIS BOOK EXPLORES** these 5 key questions and 10 approaches in depth, then concludes by discussing the kind of leadership necessary to implement them.

The stakes are huge. There are certain basic results that our society demands if it is to remain viable. If we fail — if we continue to lose the battle for public support — the consequences will be all too real.

Nothing is more important in the global marketplace than the skill level of a nation's or region's workforce, yet in our public schools, roughly 30 percent of all students have not achieved even the basic level of proficiency in reading and math.

Public safety is fundamental to a civilized society, and threats of terrorism add frightening new challenges. Yet America's cities and states are laying off policemen and slashing spending for teams that respond to hazardous materials and chemical or biological weapons.

Mobility of people and goods is essential to any region's economic health, yet congestion is endemic in many metropolitan areas.

Higher education is now a necessary ticket to middle-class life, but it is increasingly being priced out of the reach of average Americans.

Forty-four million Americans are without health insurance, yet the American people don't trust government to intervene without making a mess of things.

The 10 warmest years in the twentieth century all occurred during the last 15 years of the century, yet our environmental programs do little to offset global warming.

Spending on Social Security, public pensions, and health care is devouring our public dollars at a frightening pace. Yet our businesses and citizens will tolerate few tax increases, because skyrocketing health-care costs are squeezing them



harder every year. The collision between these realities — the heart of the fiscal storm — is already forcing us to strip away valuable public programs.

Given fierce public resistance to tax increases, we can't solve all these problems by raising taxes. Nor can we continue to borrow without undermining our economic well-being and mortgaging our children's future. Yet doing nothing will mean educational decline, impaired public safety, crumbling highways and bridges, polluted air and water, and millions of people defenseless against disease.

Doing nothing will also undermine the sense of community that binds us together. Those who can afford it will take care of themselves, retreating to private schools and gated communities with private security, and everyone else will be left to fend for themselves.

This does not seem to bother many on the right, who still appear to be fighting King George III over the inherent "tyranny" of government. It does bother most on the left, but their only solutions seem to be more spending on dysfunctional public systems that cry out for reform. For too long, both left and right have given us false dichotomies and dead-end choices.

A majority of the American people want a third way. Given the option, they would often vote for "none of the above." In fact, by removing themselves from the political process through low turnouts, that is exactly what they have done. Many are in a "commonsense majority" of independent voters, moderate Republicans, and New Democrats. They don't want to cut spending so far that they destroy our public institutions, but they don't want government benefits at any price. They want government to provide what only the public sector can provide, such as security, national defense, infrastructure, equal-opportunity education, regulation of the marketplace, and social insurance for the poor, aged, and disabled. But they want their money's worth. They want value for dollars. When they can't get it, they often opt for tax cuts and private services. When they do get value from public institutions, however, they are often willing to invest in them.

**That citizens want value for their money is no mystery. Government can win the competition for public support only by delivering more value per dollar.**

That citizens want value for their money is no mystery. We all want as much value as we can get from each dollar we spend — including what we spend on government. The price and value of government are up against the price and value of housing, food, clothing, health care, and countless other goods and services that meet people's needs. The price of government is limited, therefore, by the value that citizens want — and get — from government, compared with the value they want and get elsewhere. Government can win this competition for public support only by delivering more value per dollar.

The rising costs of health care, Social Security, public pensions, prisons, and interest on the public debt have put the price of government under immense upward pressure. Yet that pressure has met enormous resistance to broad-based tax increases. President Bush and the Republican Congress have pushed the federal price of government down to its lowest level in 50 years, by cutting taxes and borrowing the difference. Spending borrowed money may create the illusion that we're getting more for our money, but it is virtually impossible at the state and local levels, because such massive borrowing is nominally illegal.

Yet resistance to tax increases remains strong, because too many voters feel they aren't getting value for their tax dollars.

This fiscal collision is undermining vital state and local services, while generating massive federal deficits. These circumstances suggest that some tax increases are inevitable. But given the political realities, we believe that our governments and school districts must dramatically improve the services they offer, if citizens are to willingly pay a higher price. *Any significant change in the price of government is impossible until the majority of Americans feel they are getting real value for their tax dollars.* And the only way to accomplish that is to reinvent the way we do the public's business. Our public institutions must learn to work harder, but more important, they must learn to work smarter.

Native Americans have many sayings, and one of the wisest is this: When you're riding a dead horse, the best strategy is to dismount.

You don't change riders.

You don't reorganize the herd.

You don't put together a blue-ribbon commission of veterinarians.

And you don't spend more money on feed.

You get off and find yourself a new horse.

Too many public leaders, from school districts to cities, from counties and states to the federal government, have been getting by for the past two decades with "dead horse" solutions. But getting by is not good enough. Getting by has crippled our public services and withered the public's confidence.

During these same two decades, pioneering leaders at all levels of government have been inventing solutions that work. They have been finding new horses. Today, as the permanent fiscal storm batters us, we no longer have the luxury of ignoring them. It is time for the rest of America's leaders to saddle up and ride.

- **About the book**
- **Order the book from Amazon.com**

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## **Nine Core Outcomes for Lincoln City Government DRAFT 12-14-07**

- I. Promote and protect the health of all Lincoln citizens**
  - 1. Strategies:*
    - a. Identify & mitigate risk factors
    - b. Ensure access to physical & mental health care
    - c. Increase healthy behaviors
    - d. Mitigate environmental hazards
  - 2. Indicators of Success:*
    - a. Improved access
    - b. Annual Report Card on Health
    - c. Improved self-assessments
- II. Improve the condition of vulnerable children and adults**
  - 1. Strategies:*
    - a. Identify risk factors
    - b. Ensure job supports
    - c. Increase positive opportunities for children
    - d. Provide emergency services
  - 2. Indicators of Success:*
    - a. Reduce the number of people living below the poverty line
    - b. Decrease homelessness
    - c. Decrease number of people who seek food assistance
    - d. Increase percentage who are self sufficient
- III. Protect Lincoln's natural resources**
  - 1. Strategies:*
    - a. Ensure adequate green space for the community
    - b. Protect homes and businesses from flooding
    - c. Protect our sources of clean water
    - d. Promote recycling and sustainability
  - 2. Indicators of Success:*
    - a. Increase number of green space acres
    - b. Reduce number of homes in the floodplain
    - c. Increase recycling participation percentages
    - d. Extension of the landfill's capacity
- IV. Increase cultural and recreational opportunities**
  - 1. Strategies:*
    - a. Provide access to neighborhood & regional parks
    - b. Ensure access to recreational opportunities that promote healthy living and a sense of community
    - c. Increase access to public art in all areas of the city

2. *Indicators of Success:*

- a. Reasonable geographic access and availability
- b. Increased participation in healthy activities
- c. Increased self reported satisfaction

**V. Create a safer community**

1. *Strategies:*

- a. Ensure prompt and appropriate responses to crime
- b. Initiate neighborhood/community organizational efforts including community policing
- c. Maintain high level emergency services

2. *Indicators of Success:*

- a. Maintain low crime rate compared to other cities
- b. Maintain quick response times
- c. Increase reported feelings of safety

**VI. Improve the economic vitality of business and individuals across the community**

1. *Strategies:*

- a. Build roads and infrastructure to encourage growth
- b. Create government systems that speed the development process
- c. Facilitate new primary business recruitment and existing business retention and expansion
- d. Reduce business closures & workforce reductions

2. *Indicators of Success:*

- a. Maintain low rate of unemployment
- b. Increase percentage of new primary employers
- c. Increase number of above median wage jobs

**VII. Prepare Lincoln for new technologies and new industries**

1. *Strategies:*

- a. Prepare sites for industrial location
- b. Create research centers to attract new businesses
- c. Partner with the University, the Chamber of Commerce and others to enhance the City's attractiveness to emerging industries

2. *Indicators of Success:*

- a. Increase number of jobs in new technology fields
- b. Increase research dollars that promote job growth

**VIII. Promote access to all areas of the community for all citizens**

1. *Strategies:*

- a. Maintain a safe, clean, and efficient public transportation network

- b. Build new roads to create new development opportunities
- c. Improve and expand arterial streets in accordance with the Comprehensive plan.

2. *Indicators of Success:*

- a. Sufficient capacity to meet demand
- b. Increased number of street blocks constructed
- c. Increased number of existing roads maintained

**IX. Protect Lincoln's neighborhood quality of life**

1. *Strategies:*

- a. Maintain neighborhood streets
- b. Invest in community revitalization
- c. Partner with neighborhood organizations to create grassroots relationships to address crime, neglect, and other issues.
- d. Ensure each neighborhood has a strong core of single family owner occupied homes

2. *Indicators of Success:*

- a. Increase home ownership
- b. Decrease neighborhood crime
- c. Increase feeling of neighborhood pride

attachment C

Washington State's indicators

Exhibit A

<i>Outcome Goal</i>	<i>Indicators of Success</i>
1. Increase student achievement in elementary, middle, and high schools	<ul style="list-style-type: none"><li>• Reduced gaps in student achievement</li><li>• Improved test scores</li><li>• Increased high school graduation rates</li></ul>
2. Improve the quality and productivity of the workforce	<ul style="list-style-type: none"><li>• Increased possession of skills and abilities required by employers</li><li>• Increased employment rate</li><li>• Increased earnings levels</li></ul>
3. Deliver increased value from postsecondary learning	<ul style="list-style-type: none"><li>• Increased percentage of adults completing certificates/degrees</li><li>• Increased graduate and student satisfaction</li><li>• Increased number of students prepared to meet workforce needs</li></ul>
4. Improve the health of Washingtonians	<ul style="list-style-type: none"><li>• Improved index of epidemiological measures (Washington Report Card on Health)</li><li>• Improved self-assessment of health</li><li>• Improved access</li></ul>
5. Improve the condition of vulnerable children and adults	<ul style="list-style-type: none"><li>• Increased percentage living above poverty line</li><li>• Increased percentage living in permanent, safe home or community settings</li><li>• Increased percentage who make progress toward self-sufficiency</li></ul>
6. Improve economic vitality of businesses and individuals throughout the state	<ul style="list-style-type: none"><li>• Increased percentage of people employed</li><li>• Increased percentage of prosperous individuals</li><li>• Increased percentage of profitable businesses</li></ul>
7. Improve the mobility of people, goods, information, and energy	<ul style="list-style-type: none"><li>• Sufficient capacity to meet demand</li><li>• Minimized delay and downtime</li><li>• Fair and reasonable pricing</li></ul>
8. Improve the safety of people and property	<ul style="list-style-type: none"><li>• Reduced preventable injury and loss</li><li>• Increased emergency response</li><li>• Increased citizen confidence of their safety in community</li></ul>
9. Improve the quality of Washington's natural resources	<ul style="list-style-type: none"><li>• Improved percentage of days with healthy air</li><li>• Improved percentage of water bodies/sources that meet quality standards</li><li>• Reduced rate of land converted to urban areas</li><li>• Improved trends in fish stocks and wildlife populations</li></ul>
10. Improve cultural and recreational opportunities throughout the state	<ul style="list-style-type: none"><li>• Increased availability and access</li><li>• Increased participation</li><li>• Increased satisfaction</li></ul>

**Exhibit B**

## The Price of the Priorities in Washington State

<i>Priority of Government</i>	<i>Allocation of General and Other Funds (percentage)</i>	<i>Allocation of General and Other Funds (\$ billion)</i>
1. Increase student achievement in elementary, middle, and high schools	29%	\$15.6
2. Improve the quality and productivity of the workforce	6.5%	\$3.5
3. Deliver increased value from, postsecondary learning	9%	\$4.8
4. Improve the health of Washingtonians	11%	\$5.9
5. Improve the condition of vulnerable children and adults	10%	\$5.4
6. Improve economic vitality of businesses and individuals throughout the state	5.5%	\$3.0
7. Improve the mobility of people, goods, information, and energy	12%	\$6.5
8. Improve the safety of people and property	8.5%	\$4.6
9. Improve the quality of Washington's natural resources	5%	\$2.7
10. Improve cultural and recreational opportunities throughout the state	3.5%	\$1.9
Total	100%	\$53.9



## Exhibit C

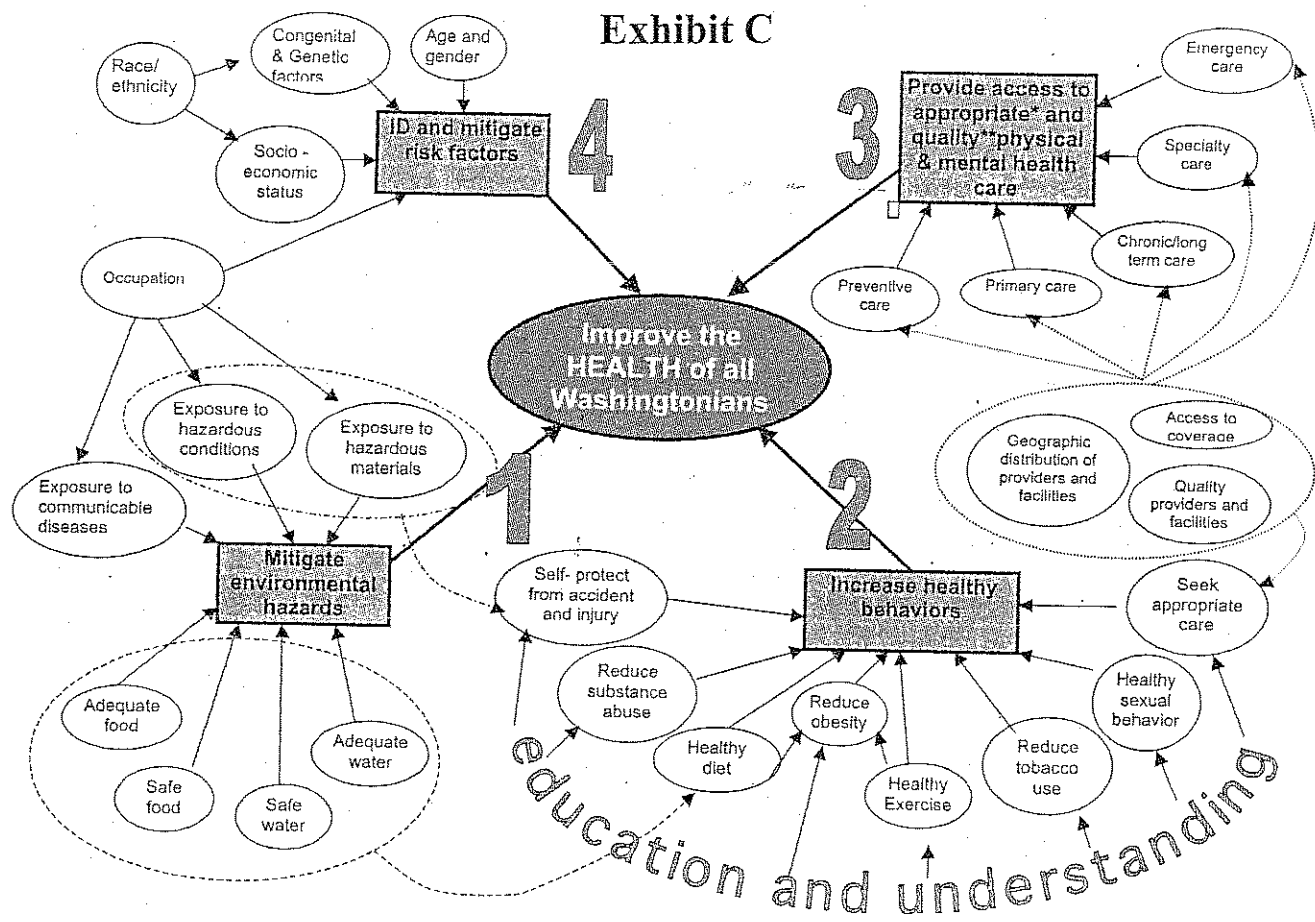
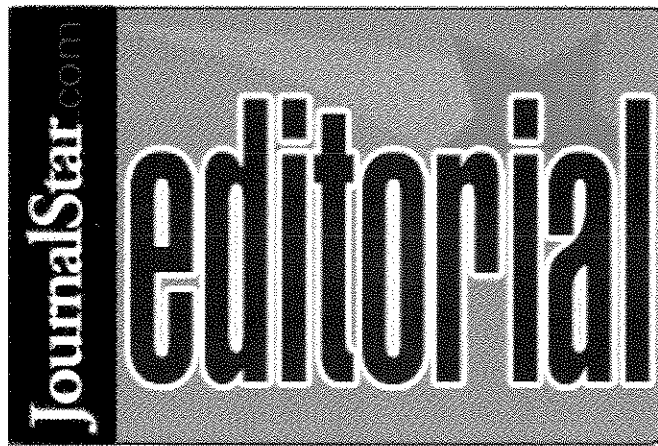


FIGURE 3.1 The Washington Health Team's Cause-and-Effect Map  
 SOURCE: Guidance Team Report to the Governor, Results Team Summaries.



Thursday, Oct 18, 2007

## Nighttime is right time for council

A recent Lincoln City Council meeting started at 5:30 p.m. and ended at 1:20 a.m.

That's almost eight hours of government in action — or inaction, depending on your point of view.

These days the average City Council meeting lasts about three hours.

On Monday, Councilman Jonathan Cook suggested the city hold more evening meetings.

Right now, the council has one night meeting a month. On the last Monday of every month, they meet at 5:30 p.m. Otherwise, they meet at 1:30 on Mondays.

Cook says every time there's a really controversial issue, people want them to wait for a night meeting.

For obvious reasons.

The average person has a day job and doesn't have the luxury of taking time off to lobby the council.

The more inaccessible the meeting time, the more meetings are dominated by gadflies with a lot of time on their hands. Hardly a finger on the city pulse.

Occasionally, a hot issue such as building a new Wal-Mart will bring out the masses. But otherwise, attendance at council meetings can be lacking.

Even a recent night meeting on blighting the area targeted for a new arena attracted only six people to the microphone.

Really?

Only six people in this city of about 250,000 residents had something to say about whether the city should take the first step toward a \$244 million project?

Perhaps everybody knows there are many more steps to go.

Or perhaps they figure they'll have their say in the voting booth some day.

Perhaps they don't want to wait through what could be hours of testimony on zoning changes and setbacks before the council gets to the good stuff.

Indeed, the council's prolonged process can be maddening. Ordinances are handled in no less than three meetings.

The first week, they're just on the agenda for the viewing. The second week, people get to weigh in. The third week, the council votes.

It takes a pretty potent issue to bring people down to two council meetings. It'd be nice if they could consolidate that process into one meeting. Maybe even take a vote right after the public hearing ends, rather than make people wait to hear their vote at the end of the meeting.

Because most people aren't willing to sit for eight hours to hear a council decision. At times, people have had to wade through hours of testimony, then wait while the council takes a 20-minute dinner break, before hearing a verdict on their issue.

But that's a whole 'nother issue.

For now, we'll settle for more night meetings.

# CITY COUNCIL FORMAL MONDAY MEETING DATES - 2008

COUNCIL TENTATIVE SCHEDULE 2008

ATTACHMENT E

JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
7 <sup>TH</sup> 1:30	4 <sup>TH</sup> 1:30	3 <sup>RD</sup> 1:30	7 <sup>TH</sup> 1:30	5 <sup>TH</sup> 1:30	2 <sup>ND</sup> 1:30	7 <sup>TH</sup> 1:30	4 <sup>TH</sup> 1:30	1 <sup>ST</sup> Labor Day NO MTG	6 <sup>TH</sup> 1:30	3 <sup>RD</sup> 1:30	1 <sup>ST</sup> 1:30
14 <sup>TH</sup> 1:30	11 <sup>TH</sup> 1:30	10 <sup>TH</sup> 5:30 NIGHT MTG	14 <sup>TH</sup> 5:30 NIGHT MTG	12 <sup>TH</sup> 5:30 NIGHT MTG	9 <sup>TH</sup> 5:30 NIGHT MTG	14 <sup>TH</sup> 5:30 NIGHT MTG	11 <sup>TH</sup> 5:30 NIGHT MTG	8 <sup>TH</sup> 1:30	13 <sup>TH</sup> 5:30 NIGHT MTG	10 <sup>TH</sup> 5:30 NIGHT MTG	8 <sup>TH</sup> 5:30 NIGHT MTG
21 <sup>ST</sup> MLK NO MTG	18 <sup>TH</sup> Pres.Day NO MTG	17 <sup>TH</sup> 1:30	21 <sup>ST</sup> 1:30	19 <sup>TH</sup> 1:30	16 <sup>TH</sup> 1:30	21 <sup>ST</sup> 1:30	18 <sup>TH</sup> 1:30	15 <sup>TH</sup> 5:30 NIGHT MTG	20 <sup>TH</sup> 1:30	17 <sup>TH</sup> 1:30	15 <sup>TH</sup> 1:30
28 <sup>TH</sup> 5:30 NIGHT MTG	25 <sup>TH</sup> 5:30 NIGHT MTG	24 <sup>TH</sup> 1:30	28 <sup>TH</sup> 5:30 NIGHT MTG	26 <sup>TH</sup> Memorial Day NO MTG	23 <sup>RD</sup> 5:30 NIGHT MTG	28 <sup>TH</sup> 5:30 NIGHT MTG	25 <sup>TH</sup> 5:30 NIGHT MTG	22 <sup>ND</sup> 1:30	27 <sup>TH</sup> 5:30 NIGHT MTG	24 <sup>TH</sup> Holiday NO MTG	22 <sup>ND</sup> Holiday NO MTG
		31 <sup>ST</sup> 5:30 NIGHT MTG			30 <sup>TH</sup> 4 <sup>TH</sup> OF JULY NO MTG			29 <sup>TH</sup> 5:30 NIGHT MTG			29 <sup>TH</sup> Holiday NO MTG

Attachment E

**City of Lincoln**  
**2008 Legislative Priorities**  
December 14, 2007  
DRAFT

1. **Arena Funding**

- a. Senator Avery has agreed to introduce
- b. This bill is basically the "Lincoln Amendment" to last year's LB 551 (the "Qwest Center Bill"). It "turns back" the state's portion of the sales tax revenue generated at "eligible facilities," including any publicly-owned arena and any publicly-or privately-owned convention center. It would also "turn back" the state's portion of sales tax revenue generated at "associated hotels" located within a certain number of yards of an eligible facility. Seventy percent of the "turn back" revenue would come to Lincoln, and the remaining 30% would go to the Local Civic, Cultural, and Convention Center Financing Fund, which is designed to support the development of civil, cultural, and convention centers throughout Nebraska. Initial estimates indicate that this bill would mean an additional \$605,000 that could be used to help finance Lincoln's new arena.

2. **Roads Package**

- a. Urban Growth Districts
  - i. This bill would allow a city to create one or more urban growth districts on the edges of the city. The estimated annual local-option sales and use tax revenues identified within that district could then be pledged, in whole or in part, for the payment of an "urban growth bond," the proceeds of which would be used to fund a broad range of infrastructure needs. These urban growth bonds would also be backed by the city's general taxing authority.
- b. Roads Distribution Formula
  - i. Note: LB 439 (Raikes) proposed the Highway Finance Task Force, which would study, among other things, the Highway Allocation Fund distribution formula. LB 439 is still in the Transportation Committee.
- c. Push for any new additional roads dollars to either (1) be distributed to cities and counties based on population rather than the distribution formula, and/or (2) be distributed directly to the Highway Allocation Fund, which is then divided equally between cities and counties.

3. **Stormwater Funding**

- a. American Communications Group (ACG) has again been retained to lobby the stormwater issue on behalf of a state-wide coalition of communities that includes Lincoln. ACG will work two angles—Senator Schimek's LB 534 (which enables

cities mandated to comply with storm water requirements of the Federal Clean Water Act to utilize as system similar to water rates and sewer rates for financing stormwater management improvements) and possibly the Appropriations Committee (to secure additional funding for the state stormwater grants). LB 534 is still in the Natural Resources Committee, and stormwater management was the topic of an interim study this fall.

4. **Child Care Licensing Exemption for City's Recreational Programs**

- a. The City of Lincoln's recreational programs, operated by the Parks and Recreation Department, have historically been exempt from licensing under the state's Child Care Licensing Act. A 2006 bill designed to "clarify" certain statutory definitions inadvertently brought the City's recreational programs within the scope of the Act. As a result, the City was required to provisionally license a number of its before-and-after-school recreational programs at the start of the current school year. The costs of this provisional licensing was approximately \$30,000. This bill would once again exempt these programs from the child-care licensing requirement.

5. **State Fair**

- a. During the 2007 session, the Nebraska Legislature passed LB 435, which directed the Legislature's Agriculture Committee to commission an independent study of the State Fair and its current location. Phase I of the report, which was released in October, indicated that it would cost approximately \$175 million to create an "ideal" state fair here in Nebraska. Phase II of the report, which was released in November, indicated that it would cost approximately \$31 million "to make the [current] State Fair Park competitive with the ["ideal"] Model.
- b. The Agriculture Committee of the Legislature met this morning to entertain proposals from various communities and groups seeking to move the State Fair. The Committee's report and recommendations regarding the Fair's future are expected tomorrow.

6. **Exempt Critical Infrastructure from Public Records Law**

- a. Similar to Senator Fulton's bill of last year—LB 135.
- b. This bill is designed to protect drawings and diagrams related to critical public infrastructure from disclosure under the state's public records laws.

7. **Self-Insurance**

- a. This bill is also on Lancaster County's priority list.
- b. Current law allows Omaha to provide an employee benefit plan without excess insurance if it obtains an independent determination that such insurance is not necessary "to preserve the safety and soundness of the employee benefit plan." This bill would allow self-insurers like Lincoln and Lancaster County to do the same. It would also mean a savings of about \$40,000/year for the City.

**8. Centennial Mall Renovation**

- a. Senator Avery's bill—it is currently being drafted
- b. This legislation would create a task force to study the environs of other state capitol buildings and consider possible design options for Centennial Mall.

**9. Safe Haven Legislation**

- a. Senator Stuthman's bill, LB 157, remains on General File. It was his priority bill last year. There are several amendments also pending, including the Judiciary Committee amendment (AM250), a Stuthman Amendment (AM844), and a White amendment (AM1118).
- b. The Lincoln City Council has passed a resolution encouraging the state legislature to pass save haven legislation.



# CITY OF OMAHA

## 2008 STATE LEGISLATIVE AGENDA

List Prepared by Jack Cheloha, City Lobbyist  
December 11, 2007



### Bills to be "Introduced" in the 2008 Legislative Session

1. Introduce a bill to strengthen the laws against suspects who flee the scene of a motor vehicle accident by revoking the operator's license for one year.
2. Introduce a bill to amend the law so that the City does not lose its assessment liens once the property goes to tax certificate foreclosure.
3. Introduce legislation to discontinue the Land Reutilization Commission in counties with a metropolitan class city and allow the metropolitan class city to perform the function.

### Bills to "Support" – Carried Over from 2007

1. Support for legislation to amend the motor fuel tax distribution formula, i.e., the Highway Allocation Fund, to provide more revenue to higher population cities. (L.B. 439 - Raikes) – Create the Highway Finance Task Force)
2. Support for legislation to provide economic incentives to film companies who practice their trade in Nebraska. (L.B. 235 - Nantkes)
3. Support for legislation for finding a funding solution to the stormwater runoff mandate from the Federal government. (L.B. 534 – Schimek)
4. Support for legislation to provide a "safe haven" for parents to leave their child/children. (L.B. 157 - Stuthman)
5. Support for legislation to adopt the Reduced Cigarette Ignition Propensity Act. (L.B. 584 - Preister)

### Bills to "Support" in 2008, if Introduced

1. Support for legislation, if introduced, to provide assistance to the City of Omaha for the construction, repair and improvement of streets and roads by shifting monies from the State's general fund to the State's Highway Trust Fund.
2. Support for a bill, if introduced, to correct L.B. 551 relating to "turn back" funding for the Qwest Center to allow areas of South Omaha to qualify for the 10% set-aside of funds to benefit impoverished areas of Omaha.
3. Support for a bill, if introduced, calling for a constitutional amendment to allow ticket issuing law enforcement agencies to split the fines of moving violations on a 50-50 basis with schools.

### Bills to "Oppose" in 2008

1. Opposition to legislation, if introduced, that would restrict tickets sales to events at the Qwest Center strictly to the box office at the Qwest Center for the first 48 hours of sales time.





# **CITY OF LINCOLN**

## **FY 2008 FEDERAL BUDGET REQUESTS**

### **Status Report**

**December 14, 2007**

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- While the federal fiscal year 2008 officially began on October 1, only one (Department of Defense) of the 12 annual appropriations bills that must be approved each year have become law. A Continuing Resolution that funds government agencies in the absence of a budget is scheduled to expire at the end of the day.
- At issue is the desire of congressional Democrats to spend \$22 billion more in FY 2008 than has been recommended by the President. The White House threatened to veto any spending bill that exceeds his pre-set spending caps and thus far, Republicans in Congress have supported this stance and rejected veto override attempts.
- With no time to commit to debate of each of the 11 outstanding spending bills, congressional leaders have begun the process of rolling those bills into a single "omnibus" measure to accelerate its passage.
- However, without a veto-proof majority, congressional Democrats now have little choice but to meet the spending demands of the President. So now the House and Senate are negotiating ways to close the \$22 billion gap without reducing funding for priorities such as veterans health care and health insurance for low-income children.
- Two scenarios have emerged: eliminate all congressional earmarks (which total just under \$10 billion) and cut funding for primarily Republican priorities such as abstinence education and nuclear weapons research; or reduce all federal programs across-the-board (including earmarks) by a percentage that would net \$22 billion.
- In addition to funding for federal programs in areas of interest to Lincoln such as local law enforcement, community development, transportation, and job training, the fate of the following pending earmarked projects is at stake:
  - ✓ \$9 million for the Antelope Creek Flood Control Project
  - ✓ \$600,000 for wastewater treatment facility upgrades
  - ✓ \$500,000 for Antelope Valley transportation projects
  - ✓ \$180,000 for Antelope Valley community revitalization projects
- Congress eliminated earmarks in the FY 2007 budget when Republicans decided not to complete the budget following their losses in the November 2006 elections.